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ABSTRACT

Helping students learn about taking responsibility for the planning and shaping of their personal financial futures is this 13-lesson teaching unit's goal. Each lesson includes performance objectives, materials, motivational activities, development, and enrichment activities. Concepts are taught through worksheets, stories, and games. Students are introduced to the concept of the stock market by learning the three forms of business organizations and the origins of the New York Stock Exchange. Other concepts taught are; (1) shares of stock; (2) the law of supply and demand; and (3) scarcity. Additional lessons focus on: (1) organization of corporations; (2) factors that have an impact on price; (3) reading stock market quotations; and (4) calculating the amount of profit or loss from the purchase of stock. As a concluding activity, the class participates in a stock market simulation. To apply the information developed in these lessons, it is suggested that students be given some additional class time in preparation for playing "The Stock Market Game," developed in Canada and adopted by the Buffalo (New York) State College, Center for Economic Education. (SM)

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7-19-89

An Educator's Guide To

Elementary School Edition

# The Stock Market Game

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# Foreword

In recent years a financial revolution, sweeping in impact and complexity, has affected Americans throughout the nation in all walks of life. Americans have begun to take more responsibility for the planning and shaping of their personal financial futures.

This increased awareness of the financial marketplace has reached young people in both elementary and secondary schools. Exposed to extensive media coverage in a new age of investment opportunities, they are now ready to learn more about the "financial revolution" and its potential for improving their own personal finances.

This unit of thirteen lessons has been developed to extend the financial horizons of our youngsters and to involve them in realistic learning experiences. Originally *An Educator's Guide to The Stock Market Game* was developed for secondary schools by the Academy of Finance, a New York City Board of Education project which offers a comprehensive two-year financial studies program for secondary school students. Intermediate school teachers and administrators requested similar material. Both the high school guide and the grade 6-8 guide were underwritten by a special grant from the Securities Industry Association.

The Stock Market Game, developed in Canada and adapted by the Buffalo State College, Center for Economic Education, for use in the United States, has proven to be a meaningful vehicle for motivating and involving students in the exploration of an important sector of the American economic system. The game can be effectively used as an application of the information and concepts developed in the lessons. It is suggested that in using the material students be provided with some additional class time in preparation for playing the game: reviewing the rules, establishing teams and researching investments. While playing the game, time should be allowed for reconciling accounts, portfolio review and stock trading.

These lessons provide a foundation for teachers interested in introducing students to the investment world through a simulation game.

Charlotte Frank

Charlotte Frank
Executive Director
Division of Curriculum and Instruction

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# THE STOCK MARKET GAME

## LESSONS AND WORKSHEETS

# Table of Contents


| | | PAGE |
|---|---|---|
| Lesson 1. | Kinds of Business | 1 |
| Lesson 2. | Beginnings of the Stock Market | 5 |
| Lesson 3. | Running a Corporation | 9 |
| Lesson 4. | Stock Market | 15 |
| Lesson 5. | Demand and Prices | 23 |
| Lesson 6. | Scarcity, Supply, and Prices | 27 |
| Lesson 7. | Stock Market Prices | 31 |
| Lesson 8. | Reading Stock Market Quotations | 37 |
| Lesson 9. | Making or Losing Money in the Stock Market | 41 |
| Lesson 10. | Benefits of Stock Ownership | 45 |
| Lesson 11. | Selecting the Right Stock | 51 |
| Lesson 12. | The Stock Market Game | 55 |
| Lesson 13. | Keeping Score in the Stock Market Game | 61 |

# *Kinds of Business*

The roots of the stock market are found in the system of private enterprise. Businesses are organized in one of three forms: a single proprietorship, a partnership, or a corporation. In single proprietorship an individual owns the business and receives all the profits, but must pay all the debts. Being responsible for all debts is called liability. In a partnership one or more people own a business, share in the profits and must pay all debt, even if it must come out of personal savings. A corporation is a business licensed by the government in which shares of ownership are issued and liability is limited to the original investment.

PERFORMANCE OBJECTIVES Students will be able to:

- o differentiate between a single proprietorship, partnership, and corporation
- o explain the advantages and disadvantages of each form of business
- o analyze why in so many cases corporations are the most profitable form of business

MATERIALS

- o Worksheet 1A, "Ways of Running a Business"
- o Worksheet 1B, "Letter to Lawyer"

MOTIVATION

Ask students to explain their answers to the following questions:

1. Do your parents own or work in a business?
2. What kind of business is it?
3. If your parents don't own a business, do you know anyone who does?
4. Do you think you might want to operate a business when you grow up? What kind of business would it be? What do you think it would be like to own a business? You have a choice of three different ways of operating a business. Which one would you choose?

DEVELOPMENT

Distribute Worksheet 1A, "Ways of Running a Business." Have students complete the exercise on the worksheet. Then divide students into groups of approximately five. Have each group decide which type of business they would like to go into. Then have them explain their answers to the following questions:

1. What is a proprietorship? A partnership? A corporation?
2. How is each one different?
3. Do your parents either own or work for one of these kinds of business?
4. What are the good points and bad points of each kind?

Distribute Worksheet 1B, "Letter to Lawyer." After students have written their letters, ask them to explain their answers to the lawyer.

ENRICHMENT ACTIVITY

Invite a person who owns a business, a partner in business, and a corporate officer to speak to the class.

# *Ways of Running a Business*

Imagine that you want to open up a record and cassette business. You go to a lawyer who says you have a choice of three ways of running your business. After reading the lawyer's description of each, write what you think are the most important good points and bad points of each form of business in the space on the chart below.

| PROPRIETORSHIP | PARTNERSHIP | CORPORATION |
|---|---|---|
| As a single owner you run your own business, set your own hours, and keep all the money you make. You must also pay for everything yourself. If you lose money, you may lose all the money you have. | In a partnership two or or more people run the business. Depending on the agreement made, the partner may share the work, the money earned, and decisions about running the business. If you lose money you share the losses. However, if the business owes money, one partner may have to pay all the money owed if the other partner has no money. Also, you have to be able to get along with your partner. | A corporation can have one or many owners. If you want, you can sell part of your company (called shares of stock) to other people. You can get a lot of money this way to operate your business. Also, you can only lose the money you put into the corporation--not all your money. It costs a lot of money to form a corporation. Unlike other kinds of business, there is a special tax on a corporation. |
| GOOD POINTS | GOOD POINTS | GOOD POINTS |
| 1. | 1. | 1. |
| 2. | 2. | 2. |
| 3. | 3. | 3. |
| BAD POINTS | BAD POINTS | BAD POINTS |
| 1. | 1. | 1. |
| 2. | 2. | 2. |
| 3. | 3. | 3. |

## *Letter to Lawyer*

Decide which kind of business (proprietorship, partnership, or corporation) you think would be best for you to operate your record and cassette business. Then explain your reasons to the lawyer in the letter below.

Date:

Dear Lawyer:

Thank you for telling me all about the kinds of business; proprietorship, partnership, and corporation. I decided to run my record and cassette business as a (circle one: proprietorship, partnership, corporation) because

_____

_____

_____

_____

Another reason for my decision is _____

_____

_____

_____

Thanks again for all your help.

Sincerely,

# *Beginnings of the Stock Market*

Although the New York Stock Exchange is not the oldest stock market in the world, it is certainly the world's best known. It had its beginnings in the late 18th century, when a group of people called stockjobbers decided that a better way had to be found for bringing together those who needed capital with those who desired to invest capital. In 1865, the New York Stock Exchange opened its own building, and by 1871, adopted many of its current practices.

PERFORMANCE OBJECTIVES Students will be able to:

- describe the origins of the stock market in the U.S.
- place the parts of a story in their proper sequence
- explain the reasons for an organized securities market

MATERIALS

- Worksheet 2, "Beginnings of the Stock Market"

MOTIVATION

Ask students to explain their answers to the following questions:

- How many of you have ever asked people older than you to explain what things were like before you were born? What did they say?
- Are you interested in knowing what things were like a long time ago? Why?
- Why do you think people study events that happened a long time ago?

DEVELOPMENT

Today we're going to learn about the beginnings of the stock market.

Distribute Worksheet 2, "Beginnings of the Stock Market." Have students complete the exercise on the worksheet, then have them explain their answers to the following questions:

1. What does this story tell us about the beginnings of the stock market?
2. Describe how people who needed money and people who had money for businesses came together before there was a stock market. What problems were there?
3. How do you think the stock market changed things for such people?
4. Why is having a stock market so important to businesses and investors?
5. What would happen to businesses today if there were no stock market?

ENRICHMENT ACTIVITY

Have students dramatize the situation which existed when the stock market first began operation using the call system (hand and voice signals used to buy and sell stocks). Assign some students the role of members of the Exchange. Divide the rest of the group into buyers and sellers. Give the buyers $100 worth of paper money and the sellers "stock certificates," which represent popular products such as video games, Cabbage Patch dolls, pizza restaurants, baseball teams, etc. Then have members call out lists of "stocks" and have potential buyers try to outbid each other for their favorite stock.

# *Beginnings of the Stock Market*

The chart below tells the story of the stock market. It is not finished. Boxes 2, 4, and 6 are blank. Read what is written in Boxes 1, 3, and 5. Then read what is written in boxes A, B, and C. Place the letter of the box which best fits the story sequence in the blank space provided.

| | | |
|---|---|---|
| 1. Before there was a stock exchange, people who needed money for their businesses had to use their own savings or borrow money from someone else. | 2. | 3. In early 1792, these stockjobbers opened their business on Wall Street. |
| 4. | 5. At first, the stock exchange used the call system. Members would stand up and call out the names of businesses. As each name was called, people in the crowd would yell if they wanted to buy or sell shares of the business. | 6. |

| | | |
|---|---|---|
| A. In 1865, the Stock Exchange opened its own building. | B. A group of people called stockjobbers started a new way of exchanging money. They would bring together those who wanted to put money into businesses and those who needed money for their businesses. | C. Some people thought that the stockjobbers didn't know what they were doing. They agreed to let each other know about businesses in which to invest. This group, which met under a tree on Wall Street, became known as the New York Stock Exchange. |

# *Running a Corporation*

The huge size of a corporation works against most of the owners (shareholders) actually controlling the operations of the business. Therefore, the owners relegate control to a small group, called the Board of Directors, who select people to run the day-to-day operations of the business. Shareholders vote for the Board of Directors at yearly shareholders' meetings. They may also question directors at these meetings, but often have little chance of changing policy unless they can put together a coalition that holds a majority of shares in the corporation.

PERFORMANCE OBJECTIVES Students will be able to:

- o discuss the organization of a corporation
- o describe the roles of the shareholders, Board of Directors, and officers in running a corporation
- o analyze the degree to which shareholders actually do have (or should have) a say in running the organization

MATERIALS

- o Worksheet 3A, "Running a Corporation"
- o Worksheet 3B, "Agenda for Directors"
- o Worksheet 3C, "Agenda for Shareholders"

MOTIVATION

Tell students that the principal wants them to elect class leaders and thought it would be a good idea to elect ten presidents to lead the class.

- o What do you think of this idea?
- o Can you think of a better way for students to lead the class?
- o Some corporations have more than a million shareholders. How well do you think a corporation would run if all the shareholders had a say in running the business?

Let's see how a corporation is run.

DEVELOPMENT

Distribute Worksheet 3A, "Running a Corporation." Have students complete the exercise on the worksheet, then have them explain their answers to the following questions:

1. What do you see in this picture?
2. According to this picture, what do the stockholders do? The Board of Directors? The officers?
3. Why don't the shareholders have more of a say in running the corporation? Should they have a greater say?
4. Is a picture a good way to explain an idea?
5. Is this a good way to run a corporation?

ENRICHMENT ACTIVITY

- Tell the class that they are going to roleplay a meeting of shareholders of the Big Foot Shoe Corporation.

- Divide the class into two groups: (1) a chairman and four directors, and (2) shareholders (remainder of students).

- Divide the 1000 shares of the corporation in the following way before the shareholders' meeting begins:

  1 director - 200 shares
  2 directors - 100 shares each
  2 directors - 50 shares each

  Distribute the remaining 500 shares randomly among the rest of the class, but give no more than 50 shares to a person. (Give each student a piece of paper on which is written: "You have _____ shares.")

- At the shareholders' meeting, the students whom you have selected as directors will have to answer "shareholder" questions about the issues appearing on Worksheet 3B, "Agenda for Directors" and Worksheet 3C, "Agenda for Shareholders." You may have to help them. The Chairman of the Board will also conduct elections for a new Board of Directors. Tell students they may nominate and vote for themselves, but remind them that shareholders do not have an equal number of votes; they have only as many votes as they have shares of stock.

- Distribute Worksheet 3B to directors and Worksheet 3C to shareholders. Explain instructions on the worksheet to each group. Conduct the meeting.

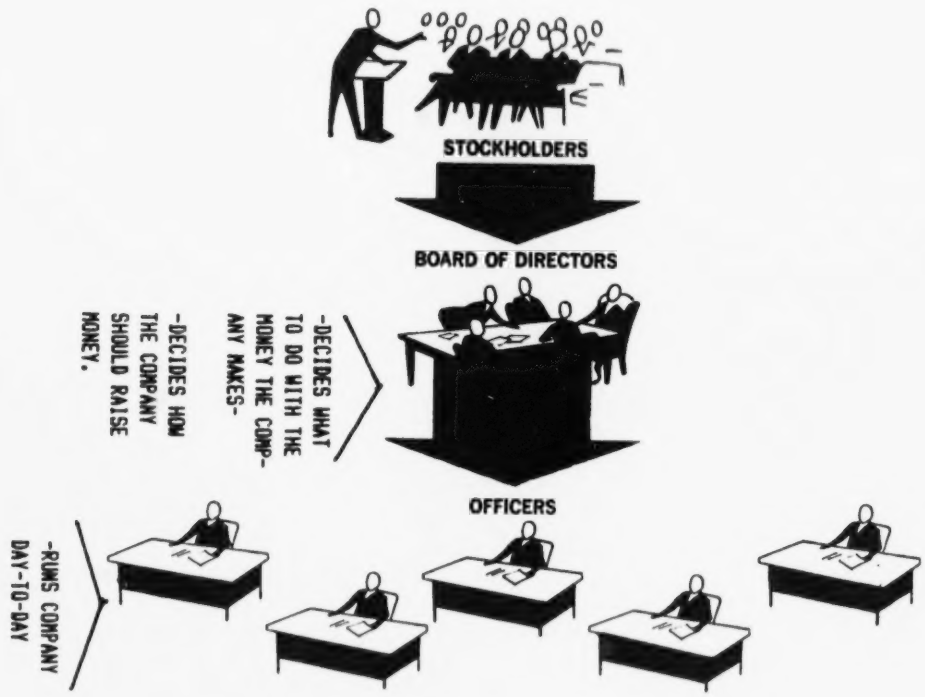
After the shareholders' meeting, ask students to explain their answers to the following questions:

1. What happened at the shareholders' meeting?
2. What was your opinion of the shareholders' meeting?
3. Did the directors answer the questions well?
4. Is it fair that the number of votes people are given depends on the number of shares they own? Or, should all shareholders have the same number of votes?
5. Do you think the way a corporation is organized is fair?
6. What other suggestions can you make?

STOCK MARKET GAME

## *Running a Corporation*

Many times a picture or chart can tell a story. Study the chart below and in the space underneath describe how a large corporation is organized. Be sure to include what the following groups do in a corporation: the stockholders, the Board of Directors, and the officers.


STOCKHOLDERS
BOARD OF DIRECTORS
-DECIDES WHAT MONEY THE COMP-ANY MAKES-TO DO WITH THE
-DECIDES HOW THE COMPANY SHOULD RAISE MONEY.
OFFICERS
-RUNS COMPANY DAY-TO-DAY

The organization of a large corporation

Gerson Antell, Economics, Institutions, and Analysis (New York: AMSCO School Publications, 1978), p. 71. Permission pending.

How Is A Corporation Organized?

# *Agenda for Directors*

Each year many big companies have shareholders' meetings, at which questions about the way the company is run are asked. During these meetings new Boards of Directors are elected.

In a few minutes the yearly meeting of shareholders of the Big Foot Corporation will take place. The Big Foot Corporation makes special shoes for people with extra-large feet, and very big toes. The following things will take place at the shareholders' meeting:

- Shareholders will be asking questions of the old Board of Directors (you) about the way the business has been run.
- Elections for the new Board of Directors will be held.

## Questions for the Board of Directors

At the Big Foot company meeting some shareholders will definitely want to know:

1. Why did the Big Foot Shoe Corporation decide to buy a new shoe-making machine instead of using the money to give to the shareholders? (The best answer is that by buying a new machine the company will make more money. This will make the stock worth more. See if you can think of other answers.)
2. Why has the corporation been pouring shoe polish in the water near the local beach so that people can't go swimming? (The best answer is if the government wants clean water, it should help the Big Foot Corporation pay for it. Is the company correct to feel this way? Make up other answers.)
3. Why has the corporation given each member of the Board of Directors a large raise in salary even though the corporation lost money last year? (The best answer is that every other shoe company will give its Board of Directors a raise. Make up other answers.)

## Elections for the Board of Directors

The person whom the teacher assigned as Chairman of the Board will run the elections. The president will say, "We will now hold elections for five members of the Board of Directors. Are there any nominations for the first director?" Write all the names of the people nominated for President on the chalkboard. Then say, "Now we will vote. Each person will have as many votes as he or she has shares in the company." Add up the votes (someone nominated may vote for him/herself). The person with the most votes becomes a director. Now do the same thing four more times until five directors have been elected.

# *Agenda for Shareholders*

Each year many big companies have shareholders' meetings, at which questions about the way the company is run are asked and a new Board of Directors is elected.

You are a shareholder of the Big Foot Shoe Corporation. In a few minutes the yearly shareholders' meeeting will begin. Big Foot Shoes makes shoes for people with extra-large feet and very big toes. The following things will take place at the meeting:

- Questions for the Board of Directors
- Elections for the next Board of Directors

## Questions for the Board of Directors

You may ask any question you want of the directors. Ask questions about the following things which have taken place:

1. The Board of Directors decided to buy a new shoe-making machine instead of giving the money to the shareholders.
2. Big Foot Shoe Corporation has been pouring shoe polish in the water near the local beach and people can't go swimming.
3. Last year Big Foot Shoes lost money yet the Board of Directors received big salary raises.

## Election for a New Board of Directors

You will vote for five directors. You can nominate and vote for whomever you want, even yourself. However, you will only have as many votes as you have shares. For example, if you own 20 shares, you will have 20 votes. The five people with the most votes win.

# *Stock Market*

There is nothing more American than investing in the stock market. The idea of individuals from different income groups becoming part owners in America's largest corporations is what capitalism is all about. The stock market, like other markets, is a place which brings together those wishing to sell and those wishing to buy something. In 1980, 28 million people bought stock. In 1979, corporations sold $3 billion worth of stock. The two largest exchanges are the New York Stock Exchange and the American Stock Exchange.

PERFORMANCE OBJECTIVES Students will be able to:

- explain the function of the stock market
- describe the way stock trades are made
- compare and contrast the stock market and supermarket
- define: share of stock

MATERIALS

- Worksheet 4A, "Supermarket"
- Worksheet 4B, "Stock Exchange"
- Worksheet 4C, "The Stock Market Play"
- Worksheet 4D, "Stock Market and Supermarket"

MOTIVATION

Distribute Worksheet 4A, "Supermarket." Have students explain their answers to the following questions:

- What do you see on this worksheet?
- Why do people shop in a supermarket rather than in a smaller store?
- Why do people who make the things listed on this worksheet send their goods to a supermarket rather than directly to people like your parents?
- Based on what we know about a supermarket, what do you think happens in a stock market?

DEVELOPMENT

Today we're going to take an imaginary trip to a stock market.

Distribute Worksheet 4B, "Stock Exchange." Have students study the picture and explain their answers to the following questions:

1. What do you see in this picture? What do the people in this picture seem to be doing?
2. How would this picture of the stock market compare to a picture of a supermarket?

3. What do you see in this picture that looks similar to a supermarket? What looks different?
4. What do you think it would be like to be on the floor of a stock exchange?

Distribute Worksheet 4C, "The Stock Market Play." Assign students to roles appearing on the worksheet. Be sure students are in the correct places in the room. Those students not assigned roles should be given Worksheet 4D, "Stock Market and Supermarket," which they should complete while watching the play. After the play is over, ask students to explain their answers to the following questions:

1. In your own words, describe how the stock market works.
2. Who are the most important people who work in the stock market?
3. What do you think it would be like to work in the stock market buying and selling stock?
4. Why aren't most people allowed to do their own buying and selling of stock? Do you think it would be a good idea to let people do their own buying and selling?

Have students who've completed Worksheet 4D make a presentation to the class on their findings.

ENRICHMENT ACTIVITY

Taking the class on a visit to the New York Stock Exchange or the American Stock Exchange would be an excellent supplementary activity to this exercise.

## *Supermarket*

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**Spring Water** . . . . . 1-gal. btl. **49¢**

PLUS DEP. WHERE REQUIRED
**Vintage Seltzer** . . . . . 4 1-pt.12 oz.btls. **99¢**

LARGE (32-CT.) MEDIUM (48-CT.) OR
**Luvs Small Diapers** . . 66-ct. pkg. **$7.99**

## Health & Beauty Aids

WHY PAY MORE™
**Aqua-fresh Toothpaste** 8.2 oz. tube **$1.49**

REGULAR, DEODORANT OR SUPER
**Stayfree Maxi Pads** . . box of 30 **$3.29**

REGULAR OR XX
**Arrid Deodorant** . . . . 4-oz. can **$1.79**

REVLON FLEX REG., EXTRA BODY, DAMAGED OR OILY
**Shampoo or Conditioner** . 15-oz. btl. **$1.69**

## General Merchandise

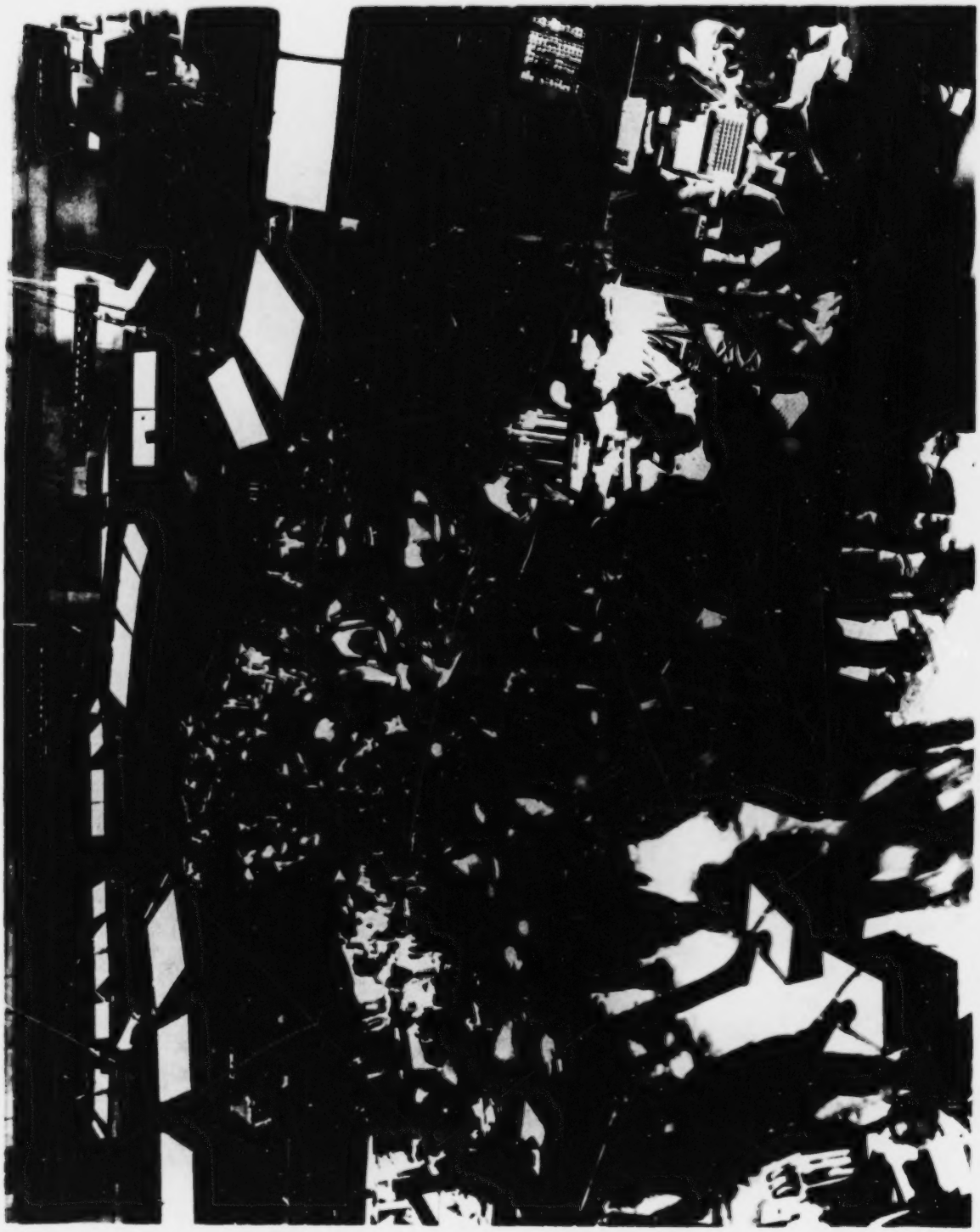
SEE STORE 5 FOR DETAILS ON $1.50 MFG REBATE W/PURCHASE OF 5 QTS
**Motorcraft Motor Oil** 10W40 qt **89¢**

10W40
**ShopRite Motor Oil** . . . 1-qt. can **69¢**

ShopRite
**Summer Coolant** . . . 2 1-gal. conts. **$7.00**

ASST SIZES (GET DETAILS ON $1.00 MFG. REBATE)
**Purolator Oil Filter** . . . . ea. **$2.76**

## *Stock Exchange*



Floor of the Stock Market

Edward C. Topple, New York Stock Exchange. Permission pending.

## *The Stock Market Play*

Characters: moderator, average person, office stockbroker (in front of classroom), clerk (in one corner of classroom), floor stockbroker (in a second corner of classroom), and another stockbroker (in third corner of classroom).

MODERATOR:

To understand how the stock market works, we'll begin by visiting an average person who wishes to buy some stock. (A share of stock is a part of a large business that a person can buy. The person who buys the stock becomes a part owner of the company.)

AVERAGE PERSON (reading the stock pages of the newspaper):

Gee, I just got this terrific idea. I think I'll buy 100 shares of ABC stock. First, of course, I have to call my office stockbroker. (Dials telephone.) Hello local friendly office stockbroker: I'd like to buy 100 shares of ABC stock.

OFFICE STOCKBROKER (answering on telephone):

That's great, I'll get on it right away. (Goes to machine and presses buttons.) First, I have to send this order to buy 100 shares of ABC stock to the clerk who works for my company on the floor of the stock exchange.

(On the exchange floor, clerk in one corner of the classroom, floor stockbroker in another corner of the classroom, and one stockbroker in another corner of the room labeled ABC Trading Post.)

CLERK (noticing that order machine is running): Wow, another order must be coming in from one of our offices. This order says buy 100 shares of ABC stock. I better signal our representative. (The clerk signals representative by first raising one finger on the left hand and then three fingers on the right hand.)

FLOOR STOCKBROKER:

What's this? Our clerk is signalling that I must buy 100 shares of ABC stock. I better go over to the ABC Trading Post (he walks there). I see other people here. Does anybody want to sell 100 shares of ABC?

STOCKBROKER

You're in luck, buddy, I do. Looking at this TV screen I can tell ABC is selling for $10 a share.

FLOOR STOCKBROKER:

It's a deal. What's your stockbroker's number? Mine is 2626. I better tell our clerk (goes over to clerk). Hello clerk. I just bought those 100 shares of ABC at $10.

CLERK:

Thanks, I'll send a message back to our office stockbrokers (presses numbers on machine).

OFFICE STOCKBROKER (hearing machine):

Oh! Oh!, our computer's going again. I wonder what's up now. Good news, we bought the 100 shares of ABC (calls on telephone). Hello Investor. Congratulations, you now own 100 shares of ABC at $10 a share. Please send us a check when the order sheet comes in the mail.

AVERAGE PERSON:

Terrific, this is just what I've always wanted and it took less than five minutes.

## *Stock Market and Supermarket*

I. As you watch the play, think about how the ABC stock is purchased. List the steps in the transaction. One has been done for you.

1. A phone was used to place the order.
2. _____
3. _____
4. _____

II. Pretend you are grocery shopping with your parents. List the steps they go through in making their purchases. The first example is given.

1. People usually shop in person.
2. _____
3. _____
4. _____

III. From the two lists you have made, select two ways the stock market and the supermarket are alike and two ways they are different.

_____

_____

_____

_____

# *Demand and Prices*

Stock market prices, like other prices, are determined primarily by the factors of supply and demand. Demand means the amount of goods or services that people will buy at a particular price. It means not only the desire, but the ability to purchase something. Generally, as the demand for goods or services increases, the price will also increase. When the demand for goods or services decreases, the price may also decrease. This is called the law of demand.

PERFORMANCE OBJECTIVES Students will be able to:

- o define demand; law of demand
- o describe how demand affects prices
- o apply the law of demand to hypothetical situations

MATERIALS

- o Worksheet 5A, "Law of Demand"
- o Worksheet 5B, "Graph of Demand for Gift Certificate"

MOTIVATION

Have students bring in pictures of something they might want for their next birthday. Ask them the following questions:

- o What do you want for your next birthday? Why?
- o How much do you think it would cost?
- o Do you think the number of people who want something affects the price?
- o How do you think the price of the birthday present you chose for yourself was set?

DEVELOPMENT

Today we're going to find out how prices are set.

Distribute Worksheet 5A, "Law of Demand," and have students complete the first exercise.

Make a count of the number of students who would be willing to buy the gift certificate at each increase in price. Place the results on the chalkboard and have students copy the data onto their 5A worksheets and complete exercise 2.

Distribute Worksheet 5B, "Graph of Demand for Gift Certificate." Have students graph the data from exercise 2 (Worksheet 5A) onto Worksheet 5B. Answer the following questions:

1. At what price were you willing to buy the gift certificate? Why?
2. How can you explain the fact that more people are willing to buy the gift certificate at a lower price?
3. Based on what we saw here, how would you define the law of demand?
4. Do you think the law of demand works in most stores?
5. Suppose you were the owner of a movie theater that charged $5.00 a ticket and few people attended. How could you use the law of demand to increase attendance at your movie theater?

# *Law of Demand*

1. Suppose the gift certificate below were real.

> GIFT CERTIFICATE
>
> A Good Deal
>
> Good for tickets for any future concert, movie, or sports event

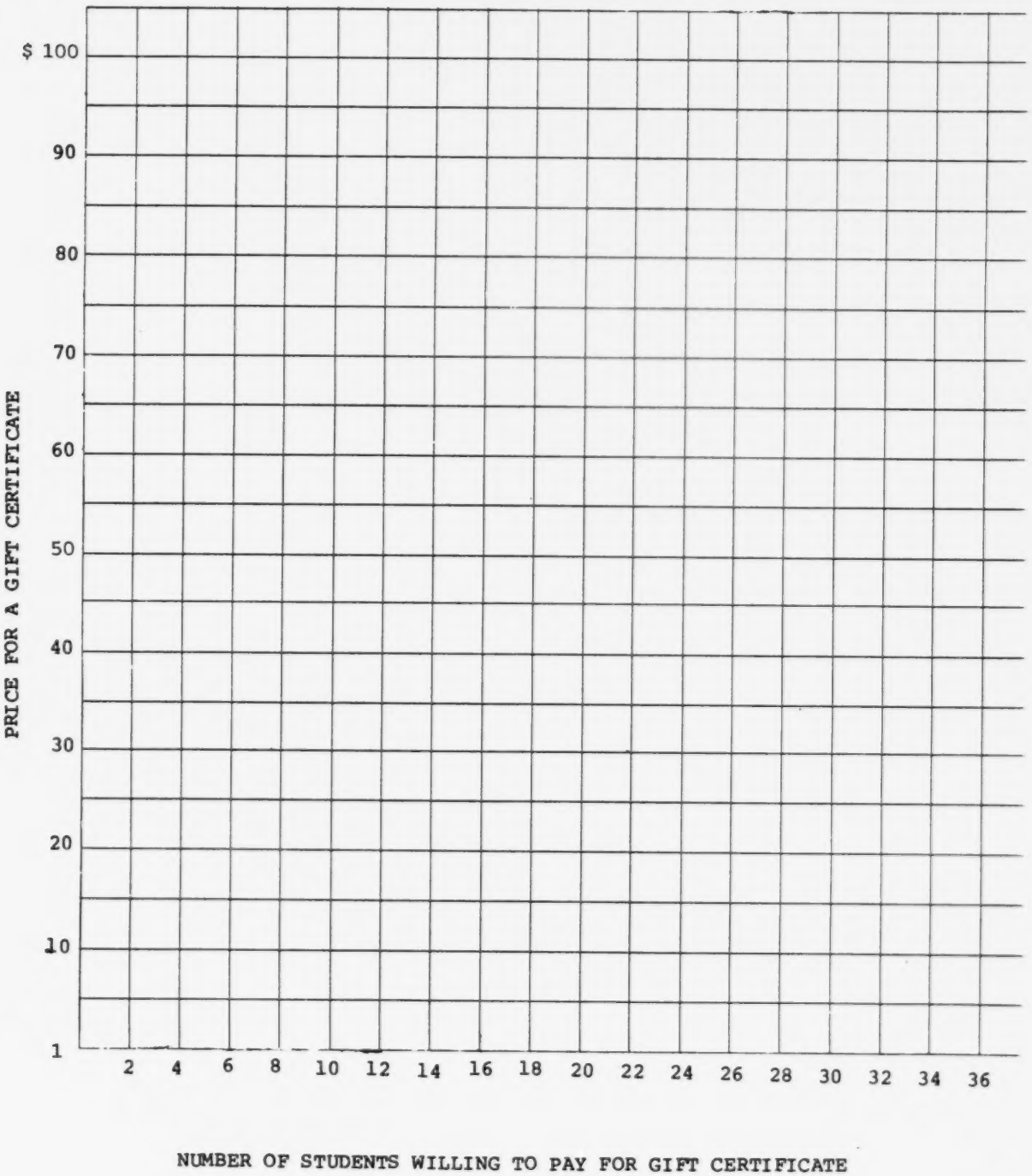
| (Answer YES or NO) At what prices listed to the right would you be willing to buy the gift certificate? | (PRICE) |
|---|---|
| | $ 1 |
| | 2 |
| | 4 |
| | 10 |
| | 30 |
| | 50 |
| | 100 |

2. Copy the data your teacher has placed on the chalkboard onto the chart below.

| Number of students willing to buy gift certificates at each price (DEMAND) | (PRICE) |
|---|---|
| | $ 1 |
| | 2 |
| | 4 |
| | 10 |
| | 30 |
| | 50 |
| | 100 |

3. As shown on the above chart, according to the law of demand, as the price of something (gift certificate) goes down, the demand (the number of students willing to buy the gift certificate) goes _____.
If the price of something goes up the demand goes _____.

## *Graph of Demand for Gift Certificate*



# *Scarcity, Supply, and Prices*

To understand how the stock market operates, you will need a basic knowledge of such economic concepts as scarcity, and supply, and prices.

Supply is the amount of a product or service offered for sale at a particular price. In most cases, as the price of something increases, the supply decreases. If an item or service is scarce, the price will be greater. If an item is plentiful, the price will be lower.

PERFORMANCE OBJECTIVES Students will be able to:

- define supply; scarcity
- explain how supply and scarcity affect the price of an item
- apply what they know about supply and scarcity's effect on price to hypothetical situations

MATERIALS

- Worksheet 6A, "Charlie's Story"
- Worksheet 6B, "Scarcity, Supply, and Prices"

MOTIVATION

Write the following on the chalkboard:

| ALL GOLD WATCHES $20 | ALL PLASTIC WATCHES $200 |
|---|---|

Ask students to explain their answers to the following questions:

- What's wrong with these signs?
- Why would you expect the price of anything made of gold to be more expensive than anything made of plastic?
- Do you think the fact that there is far more plastic than gold in the world makes a difference?

DEVELOPMENT

Distribute Worksheet 6A, "Charlie's Story." Have students read the story and complete the missing parts with their own words. Then divide the class into five equal-sized groups. Have each group decide what they want to write in the three blank spaces in "Charlie's Story." Ask students why they wrote what they did. Then ask them the following questions:

1. Can you tell Charlie's story in your own words?
2. Why do you think people were so interested in buying Charlie's special wax?
3. Do you think it was fair of Charlie to charge such a high price? Would you have done the same thing?
4. How did the discovery of so much more wax affect Charlie's price?
5. What did Charlie learn about supply and how it affects the price of an item?
6. Can you give any real life examples of the way supply affects the price of a product?

Distribute Worksheet 6B, "Scarcity, Supply, and Prices." Have students answer the questions in the activity.

Answers:

1. the price will probably go down
2. the price will probably go up
3. the price will probably go up

# *Charlie's Story*

First read the story. Then fill in the missing parts.

Long ago, in a place far, far away lived a man named Charlie. Charlie built a machine on wheels that could take him from place to place. The secret ingredient was a special wax that Charlie found in his backyard and made into a candle. Once the candle was lit it created enough power to run the machine. When people first saw Charlie on the machine, they were amazed. Before long everybody wanted Charlie to sell them some of the wax so they too could make traveling machines. Charlie saw an opportunity to become wealthy. He said, "Anyone who wants to buy some of my wax must give me one hundred pieces of gold." Although the price was much too high, Charlie told them, "I can charge any price and get away with it because

_____."

One day a girl named Pamela was walking in the woods and throwing rocks. She saw a cave in the distance and decided to go in. She saw lots and lots of the same wax she had seen in Charlie's backyard. Pamela couldn't wait to tell her father, who told someone else, who told someone else. In a short time a number of people began opening wax supply businesses. Charlie lost many of his customers. Charlie had an important decision to make--what should he do about the price? Charlie decided to

_____

because _____.

Charlie said, "I learned an important lesson about prices. If there is very little of something the price will go _____. If the supply of something increases, the price will _____."

## *Scarcity, Supply, and Prices*

Under the heading SUPPOSE three situations are described. Read each situation and decide if the price will go up or down or if you are not sure. Then place a ( ✓ ) mark in the box which stands for your answer:

| SUPPOSE: | WHAT WILL HAPPEN TO THE PRICE? | | |
|---|---|---|---|
| | It will probably go up | It will probably go down | I'm not sure |
| Start of summer. What will happen to the price of fruit? | | | |
| There is a forest fire. Since most of our paper comes from trees, what will happen to the price of paper? | | | |
| The makers of Cabbage Patch Dolls decide not to make as many dolls this year. | | | |

# *Stock Market Prices*

Many variables, in addition to supply and demand, play a role in determining stock market prices. Among the factors some experts believe determine stock prices are the earnings of the corporation, news relating to the corporation, economic conditions, world events, stock market indicators, and stock market conditions.

PERFORMANCE OBJECTIVES Students will be able to:

- o analyze the factors which impact on the price of stocks
- o describe the factors which account for fluctuations in the price of stocks
- o create conditions that would result in an increase or decrease of hypothetical stock prices
- o develop hypotheses as to how stocks are valued

MATERIALS

- o Worksheet 7A, "Stock Market Prices"
- o Worksheet 7B, "News Headlines"
- o Worksheet 7C, "Make Up Your Own Headlines"

MOTIVATION

Write the following on the board:

- o CBS
- o NBC (RCA)
- o ABC

Have students answer the following questions:

- o Have you heard of these TV networks?
- o What programs do you watch on these networks?
- o Which network do you watch most?
- o Which company should be worth more money? Do you think this has anything to do with how many people watch its shows?

Give students current stock prices or use these prices (7/20/84): CBS 77, ABC 61, NBC (RCA) 27-1/4

DEVELOPMENT

Today we're going to look at these prices and examine why they may go up or down in the future. This is important in playing the stock market game.

Distribute Worksheet 7A, "Stock Market Prices." Review information on the worksheet with the students. Then have them explain their answers to the following questions:

1. According to this worksheet, what are some of the conditions that help set the price of a stock?
2. Which conditions make it more likely that the price of a stock will rise?
3. Which conditions will make it more likely that the price of a stock will fall?
4. Which of the four is most important in the price of a stock?
5. Can you think of any conditions in the newspaper today that would affect stock market prices?

Distribute Worksheet 7B, "News Headlines." Have students complete the exercise, then review it with them. (Answers: 1-up, 2-up, 3-down, 4-down.)

Divide the class into groups. Distribute Worksheet 7C, "Make Up Your Own Headlines." Have the groups complete the exercise and present their headlines to the entire class.

ENRICHMENT ACTIVITY

Have students watch television or read the newspaper and identify three events. Decide whether these events would be likely to make stock prices go up or down and why.

# *Stock Market Prices*

Column A tells us when stock market prices usually go up.
Column B tells us when stock market prices usually go down.

| A<br>The price of a stock will usually go up when..... | B<br>The price of a stock will usually go down when..... |
|---|---|
| There is good news about the company in the newspaper or on television. | There is bad news about the company in the newspaper or on television. |
| World events are peaceful. | There seems to be a great deal of trouble and change in the world. |
| Conditions are such that people find it easy to get a job and make more money. | Conditions exist in which people find it hard to get a job and make money. |
| It seems that things are going to be much better for me and everybody else in the future. | Things are going to be much worse for me and everybody else in the future. |

## *News Headlines*

There are four headlines on this page. Each one might affect the price of a make-believe company's stock, called Fast Frankie's French Fried Potatoes and Hamburgers. Place a check in the box with the best answer.

| NEWSPAPER HEADLINES | THE PRICE OF FAST FRANKIE'S FRENCH FRIED POTATOES AND HAMBURGERS WILL PROBABLY | | |
|---|---|---|---|
| | go up | go down | I'm not sure |
| FAST FRANKIE'S REPORTS: "WE'VE MADE MORE MONEY THAN EVER" | | | |
| THE SOVIET UNION AND U.S. PROMISE: "WE WILL NEVER GO TO WAR" | | | |
| PRICE OF BEEF FOR HAMBURGERS TO GO WAY UP | | | |
| MORE AND MORE PEOPLE SAY THEY ARE OUT OF WORK | | | |

## *Make Up Your Own Headlines*

On this page, you will write four headlines. The first two should be the kind that would make the price of the stock listed below go up. The other two headlines would probably make the stock go down.

SUSIE'S STEREO SYSTEMS--MAKERS OF STEREOS, RADIOS, AND CASSETTE DECKS

HEADLINE 1 _____

_____

HEADLINE 2 _____

_____

HEADLINE 3 _____

_____

HEADLINE 4 _____

_____

# *Reading Stock Market Quotations*

Most stock market traders never see the floor of an exchange. Many obtain information about their investments by consulting the business pages of the daily newspaper. These provide, among other things, the high and low prices for the year, the abbreviated name of the stock, the dividends, the number of shares traded for the day, the high, low, and closing price for the day, and the net change.

PERFORMANCE OBJECTIVES Students will be able to:

- identify the following information from a newspaper stock market quotation: the year's high and low price; the name of the stock; the dividend per share; the high, low, and closing price for the day

MATERIALS

- Worksheet 8A, "Stock Code"
- Worksheet 8B, "Stock Questions"

MOTIVATION

Write the following message on the chalkboard:

"Meet me 6:28 PM on 4/14/85."

- What does this mean?
- Are there codes in this message?
- How does understanding codes help us?

Tell students that in order to play the Stock Market Game they will have to understand certain abbreviations that appear in the stock market pages of the newspaper.

DEVELOPMENT

Distribute Worksheet 8A, "Stock Code" and review the information on the worksheet with students. Then have them complete the exercise on the bottom of the worksheet and review it also.

Distribute Worksheet 8B, "Stock Questions" and have students complete the exercise. Then review answers with students. Discuss the following questions:

1. What information do we get from newspaper listings of stocks?
2. Why do you think information about stocks is abbreviated?
3. How can we use these stock listings to help us in the Stock Market Game?

# *Stock Code*

If you looked at the stock market listings in the newspaper, you would see 10 columns such as those below. We are only going to use five of these columns. You will see what these five columns mean when you read the section below.

| 52 weeks | | 1 | 2 | | | | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|---|---|---|---|
| High | Low | Stock | Div. | Yield % | P.E. Ratio | Sales 100's | High | Low | Last | Chng. |
| 81-1/2 | 61 | G. MOT. | 3.85 | 5.5 | 5 | 20056 | 70-3/4 | 69-5/8 | 70-1/2 | +1/2 |

(ALL WHOLE NUMBERS STAND FOR DOLLARS. FRACTIONS STAND FOR THE FOLLOWING CENTS: 7/8 = .87-1/2; 3/4 = .75; 5/8 = .62-1/2; 3/8 = .37-1/2; 1/4 = .25; 1/8 = .12-1/2)

---

Column 1. The name of the stock (General Motors).

Column 2. The amount of the dividend (profits for the corporation) per share for the year.

Column 3. The high price paid for the stock today.

Column 4. The low price paid for the stock today.

Column 5. This is the price of the stock when the market closed. This price is used when buying or selling stocks in the Stock Market Game.

Based upon what you have learned above, find the answers to these questions:

A. What is the low price today? _____

B. What is the dividend per share for the year? _____

C. What is the closing price today? _____

D. What is the high price today? _____

(Some stock prices are written as fractions. This is what these fractions mean: 7/8 = 87-1/2 cents.)

# *Stock Questions*

Based on the listings for stocks A & B, answer the questions which follow:

| 52 weeks High | 52 weeks Low | Stock | Div. | Yield % | P.E. Ratio | Sales 100's | High | Low | Last | Chng. |
|---|---|---|---|---|---|---|---|---|---|---|
| 11 | 4-7/8 | A | - | 3.1 | - | 424 | 8-3/8 | 8-1/4 | 8-1/4 | - |
| 32-7/8 | 20-7/8 | B | .80 | 2 | 3.0 | 530 | 27-1/4 | 26-3/4 | 27 | 1/8 |

QUESTIONS:

1. What was the closing price for Stock B? _____
2. What was the annual rate of dividend for Stock A? _____
3. What was today's change (last column) for Stock B? _____
4. What was today's high price for Stock B? _____
5. What is the yield of Stock A? _____
6. What was today's low price for Stock A? _____
7. What was today's change (last column) for Stock A? _____
8. What was the closing price for Stock A? _____

# *Making or Losing Money in the Stock Market*

Some people have become either overnight millionaires or paupers from buying and selling stock on Wall Street. Investors can make money if a stock goes up.

PERFORMANCE OBJECTIVES Students will be able to:

- o calculate the amount of profit or loss from the purchase of a stock
- o extrapolate information from a stock quotation to determine profit or loss from an investment in the stock market

MATERIALS

- o Worksheet 9A, "Fred's Letter"
- o Worksheet 9B, "Making and Losing Money in the Stock Market"

MOTIVATION

Ask students:

- o How many of you collect stamps, coins, baseball or football cards?
- o How do people make money with such collections?

Tell students that people make money in the stock market in the same way that some people make money collecting coins, stamps, and cards. Today we will see how they do it.

DEVELOPMENT

Distribute Worksheet 9A, "Fred's Letter." Have students read the worksheet, then explain their answers to the following questions:

1. What is the topic of this worksheet?
2. How did Fred make money in the stock market?
3. Fred could have lost money. How would you change the numbers to show this?

Distribute Worksheet 9B, "Making and Losing Money in the Stock Market." Have students determine whether they made money or lost it. Direct them to use the form provided.

# *Fred's Letter*

As soon as Fred, a sixth-grade student at P.S. 007 walked in the door, his mother said, "I've got good news, Fred, you just made $94.00. The news came in this letter from the Dandy Stockbroker." His mother showed him the check, "Pay to Fred Williams the sum of $196.00." Fred said, "Mom, I'm real confused. I remember you bought a stock for me with the $100 graduation present Uncle Harry gave me last June. Today I got a check for $196.00 and you tell me I made $94.00. Please explain it to me."

Fred's mother wrote the following on a piece of paper.

September 1, 1983

| | | | |
|---|---|---|---|
| 1. | Fred buys 100 shares of stock at $1.00 a share. | (100 x 1.) | $100. |
| 2. | He pays a broker's fee of .02% of the total value for buying the stock. | (100 x .02) | + 2. |
| | | Total cost to Fred | $102.00 |

June 12, 1984

| | | | |
|---|---|---|---|
| 1. | Fred's stock is now worth $2.00 per share and he sells his 100 shares. | (200 x 2.) = | $200. |
| 2. | Once again, he must pay his broker .02% of the total value for selling the stock. | (200 x .02) | - 4. |
| | | Total Fred receives from sale | $196.00 |
| | | Less Fred's cost of purchase | $102.00 |
| | | Fred's profit | $ 94.00 |

## *Making and Losing Money in the Stock Market*

Below are two examples of stock transactions. Determine whether you would have made money or lost money and how much.

On May 12, 1984, you bought 100 shares of Coleco (it makes Cabbage Patch dolls and video games). On May 12th, the newspaper stock quotation looked like this (the price of the stock is circled):

| 52 weeks | | | | Yield | P.E. | Sales | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| High | Low | Stock | Div. | % | Ratio | 100's | High | Low | Closed | Chng. |
| 22-3/8 | 14-1/8 | Coleco | - | - | - | 899 | 14-3/8 | 14 | 14 | -1/4 |

Purchase price of 100 shares of Coleco _____.

On September 19, 1984, you sold 100 shares of Coleco. On this day the stock quotation read (the price of the stock is circled):

| 52 weeks | | | | Yield | P.E. | Sales | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| High | Low | Stock | Div. | % | Ratio | 100's | High | Low | Closed | Chng. |
| 22-3/8 | 12 | Coleco | - | - | - | 747 | 15 | 14-1/2 | 15 | +1/2 |

Selling price of 100 shares of Coleco _____.

Did you make or lose money? _____

How much? _____

# *Benefits of Stock Ownership*

The findings of a national survey are that nearly one in four people will buy securities within the year. The benefits of stock ownership (for purposes of this bulletin, we will be referring to common stocks only) are many. For example, the company may decide to share profits and issue yearly dividends, i.e., a certain amount of money per share of stock. Another benefit is derived from speculation, i.e., the price of stock goes up. Finally, common stock shareholders can have a say in the corporation.

PERFORMANCE OBJECTIVES Students will be able to:

- o explain the benefits and risks of owning stock
- o analyze the reasons for buying stock
- o identify the term dividend
- o calculate profit and loss from the purchase and sale of common stock

MATERIALS

- o Worksheet 10A, "Survey"
- o Worksheet 10B, "Shares of Stock, Parts I and II"

MOTIVATION

Distribute Worksheet 10A, "Survey," a few days before conducting this activity. Ask students to survey parents, friends, and others and bring the results to class. Discuss with students their answers to the following questions:

- o Suppose you won $10,000 on a TV quiz show. What would you do with it? (List responses on board.)
- o Divide the class into groups and have them decide in order of priority the three most popular things to do with the $10,000. Then ask each group what they decided to do with the money and why?
- o Ask students if their surveys indicated that the people they questioned would put their extra money in the stock market?
- o Tell students that a national report shows that more and more people want to invest in the stock market. Ask them if their surveys gave any indication of possible reasons why the stock market is so popular?

DEVELOPMENT

Distribute Worksheet 10B, "Shares of Stock, Part I." (Explain to students that if they buy shares of stock they will be given a certificate similar to the one on the worksheet.) Have students examine the worksheet and complete the exercise on Worksheet 10B, Part II. Then have them explain their answers to the following questions:

1. What do we learn about owning stock from reading this certificate?
2. Based upon what you read here, what are some of the things you gain from buying stock?
3. What are some of the possible losses from owning stock?
4. How can people lose money owning stock?
5. Does this stock certificate explain why so many people want to put their extra money in the stock market?

Divide the class into groups and ask each group to decide whether or not they would put part of the $10,000 prize money they "won" in the stock market. Have one student in each group explain the group's answers to the rest of the class.

## *Survey*

Dear Parent or Friend:

Please cooperate with the student conducting this survey and answer the questions below.

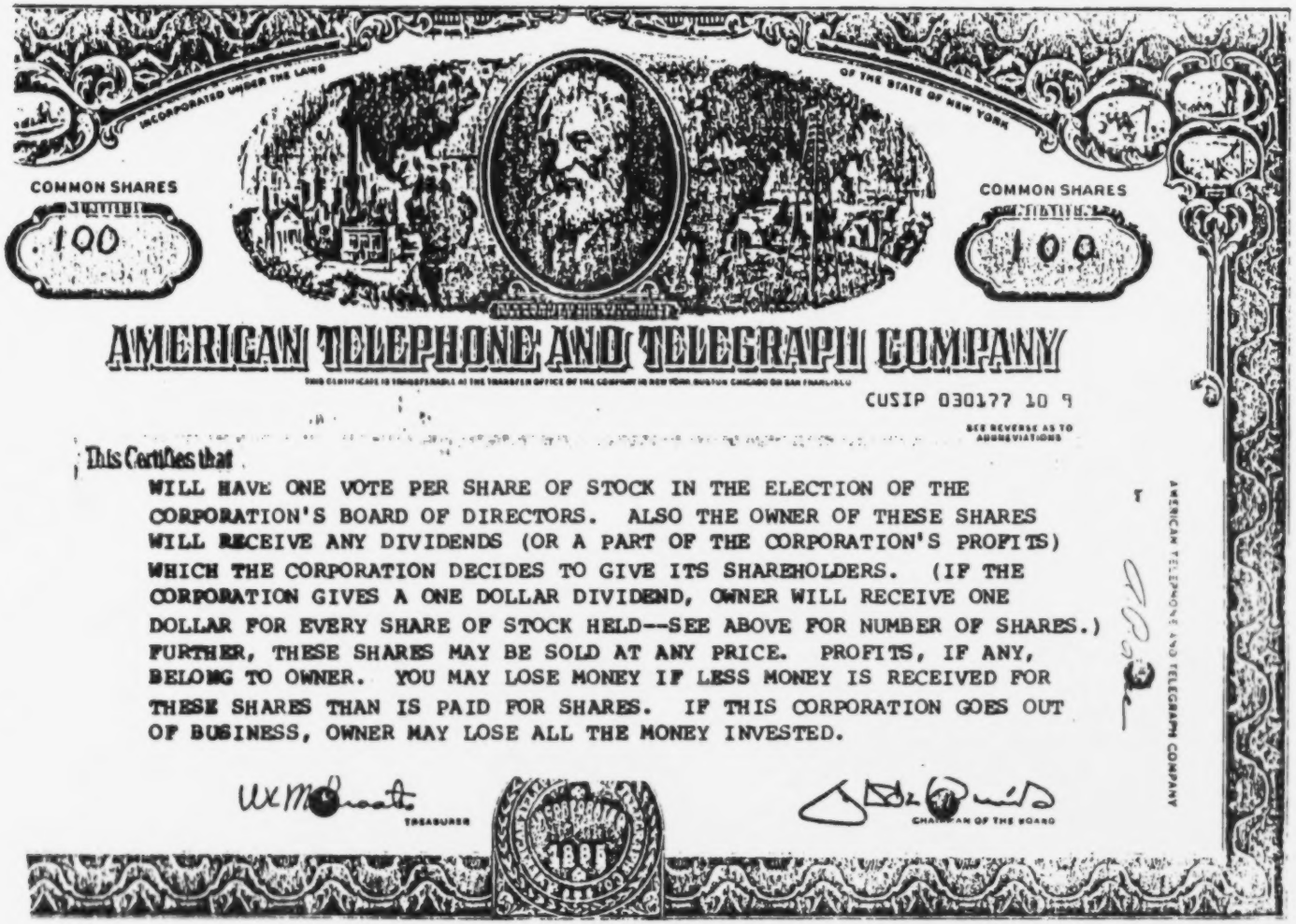
Thank you.

| | YES | NO | NOT SURE |
|---|---|---|---|
| Do you own any shares of stock at present? | | | |
| Do you plan to buy any shares of stock in the coming year? | | | |
| If you received a great deal of money, would you invest in the stock market? | | | |
| Would you say that you have a sufficient amount of knowledge about the stock market? | | | |
| Do you think investing in the stock market is a good way to make a great deal of money? | | | |
| If you had extra money, would you prefer to put it into the bank rather than in the stock market? | | | |

## Shares of Stock—Part I



Read the stock certificate below and answer the questions on Part II of the worksheet.


INCORPORATED UNDER THE LAWS
OF THE STATE OF NEW YORK
COMMON SHARES
100
COMMON SHARES
100
AMERICAN TELEPHONE AND TELEGRAPH COMPANY
CUSIP 030177 10 9
This Certifies that
WILL HAVE ONE VOTE PER SHARE OF STOCK IN THE ELECTION OF THE CORPORATION'S BOARD OF DIRECTORS. ALSO THE OWNER OF THESE SHARES WILL RECEIVE ANY DIVIDENDS (OR A PART OF THE CORPORATION'S PROFITS) WHICH THE CORPORATION DECIDES TO GIVE ITS SHAREHOLDERS. (IF THE CORPORATION GIVES A ONE DOLLAR DIVIDEND, OWNER WILL RECEIVE ONE DOLLAR FOR EVERY SHARE OF STOCK HELD--SEE ABOVE FOR NUMBER OF SHARES.) FURTHER, THESE SHARES MAY BE SOLD AT ANY PRICE. PROFITS, IF ANY, BELONG TO OWNER. YOU MAY LOSE MONEY IF LESS MONEY IS RECEIVED FOR THESE SHARES THAN IS PAID FOR SHARES. IF THIS CORPORATION GOES OUT OF BUSINESS, OWNER MAY LOSE ALL THE MONEY INVESTED.
TREASURER
CHAIRMAN OF THE BOARD

Adapted from American Telephone and Telegraph stock certificate. Permission pending.

## *Shares of Stock—Part II*

Congratulations, you have just invested in the stock market. Read the stock certificate in Part I of the worksheet carefully and answer the questions which follow:

1. What is the name of the stock you have bought? _____

2. How many shares of stock have you bought? _____

3. What are two benefits you have gained as a result of buying this stock?

   _____ and _____

4. What are two ways you may lose money as a result of investing in this stock?

_____

_____

5. Based on what you read here, how many votes would you have in electing the Board of Directors? _____

6. Suppose the corporation declared a dividend of $2 per share. How much money would you receive? _____

7. Suppose you bought these shares for $10 a share and sold them for $20 a share. Would you make or lose money? _____

   How much would you make or lose? _____

8. Suppose you bought these shares for $10 a share and sold them for $5 a share. Would you make or lose money? _____

   How much would you make or lose? _____

# *Selecting the Right Stock*

Prognostication plays a role in many areas, but in no area is it more difficult to achieve success than in the stock market. Although Wall Street pundits have tried, a formula for success remains elusive.

PERFORMANCE OBJECTIVES Students will be able to:

- o list and analyze the keys to successful investing
- o develop preliminary strategies for the Stock Market Game

MATERIALS

- o Worksheet 11A, "Horoscope"
- o Worksheet 11B, "Crystal Ball"

MOTIVATION

Ask students to tell you when their birthdays occur. Tell them that you will be able to predict their futures using the enclosed horoscope. Distribute Worksheet 11A, "Horoscope."

Ask students to explain their answers to the following questions:

- o What is a horoscope?
- o Do you think this is a good way of guessing your future?
- o What information would be important to have in guessing your future?

Explain that many people who invest in the stock market try to predict the future. Let's see if we can get some tips on predicting future prices so that we can succeed in the Stock Market Game.

DEVELOPMENT

Distribute Worksheet 11B, "Crystal Ball." Review the worksheet with the students. Ask them the following questions:

1. In your own words how would you describe each of these crystal ball tips?
2. Based on these tips, what are some of the things we can do to pick the best stocks for the Stock Market Game?
3. How can we as a class use teamwork in picking the best stock?

Divide the class into three groups.

1. Give one group the task of going through the newspaper to bring in news about successful corporations. (Once the game begins, this group can look for news related to the corporations in which you have invested.)

2. Have a second group write a letter inviting a stockbroker to class. (Have the group writing the letter explain the Stock Market Game to the stockbroker and ask if the person could suggest some stocks in which to invest.)

3. Give a third group the task of mailing away for different corporation reports. (The stockbroker will help provide information as to how to get corporate reports.)

# *Horoscope*

**YOUR BIRTHDAY TOMORROW:** South American liberator Simon Bolivar, author Alexandre Dumas and aviatrix Amelia Earhart were born on this date.

**ARIES** (March 21-April 19): Let others criticize while you withhold judgment until all the facts are known. A mystery will be cleared up by the weekend. A romantic interlude becomes even sweeter when mate confides secrets.

**TAURUS** (April 20-May 20): A child needs to spend more time alone with you. A positive experience gives you high hopes for a business venture. Cut vacation costs by renting a place with friends.

**GEMINI** (May 21-June 20): A draining emotional attachment could be holding you back. See things as they really are. Proof of your financial dependability helps you obtain a loan. Experts are on your side.

**CANCER** (June 21-July 22): Express your true feelings now and someone will find a way to assist you. Creditors will be cooperative if you are candid. Financial pressures ease. Set a new timetable for romance.

**LEO** (July 23-Aug. 22): Not a good day for signing papers. Try to postpone negotiations for a while. Romance looks promising. Let family members in on a secret that could affect them.

**VIRGO** (Aug. 23-Sept. 22): Strike a better balance between work and play. A financial problem will not disappear by itself; you and your loved ones must take action. A phone call brings good news regarding romance.

**LIBRA** (Sept. 23-Oct. 22): You are happiest now when doing things with a group. A change in vacation plans could mean greater fun for all concerned. Romance becomes more fulfilling. Business picks up.

**SCORPIO** (Oct. 23-Nov. 21): Courageous go-getters win major victories today. The emphasis is on forgetting past grievances and getting on with your life. Have faith in yourself and others will follow your lead.

**SAGITTARIUS** (Nov. 22-Dec. 21): Being able to set your own schedule boosts your spirits. What is important to you may not be important to someone else. Seek out those who share your interests and high ideals.

**CAPRICORN** (Dec. 22-Jan. 19): You are about to enter one of the most fascinating periods of your life. Have confidence in an old friend. He/she will protect your good name. New financial rewards are possible.

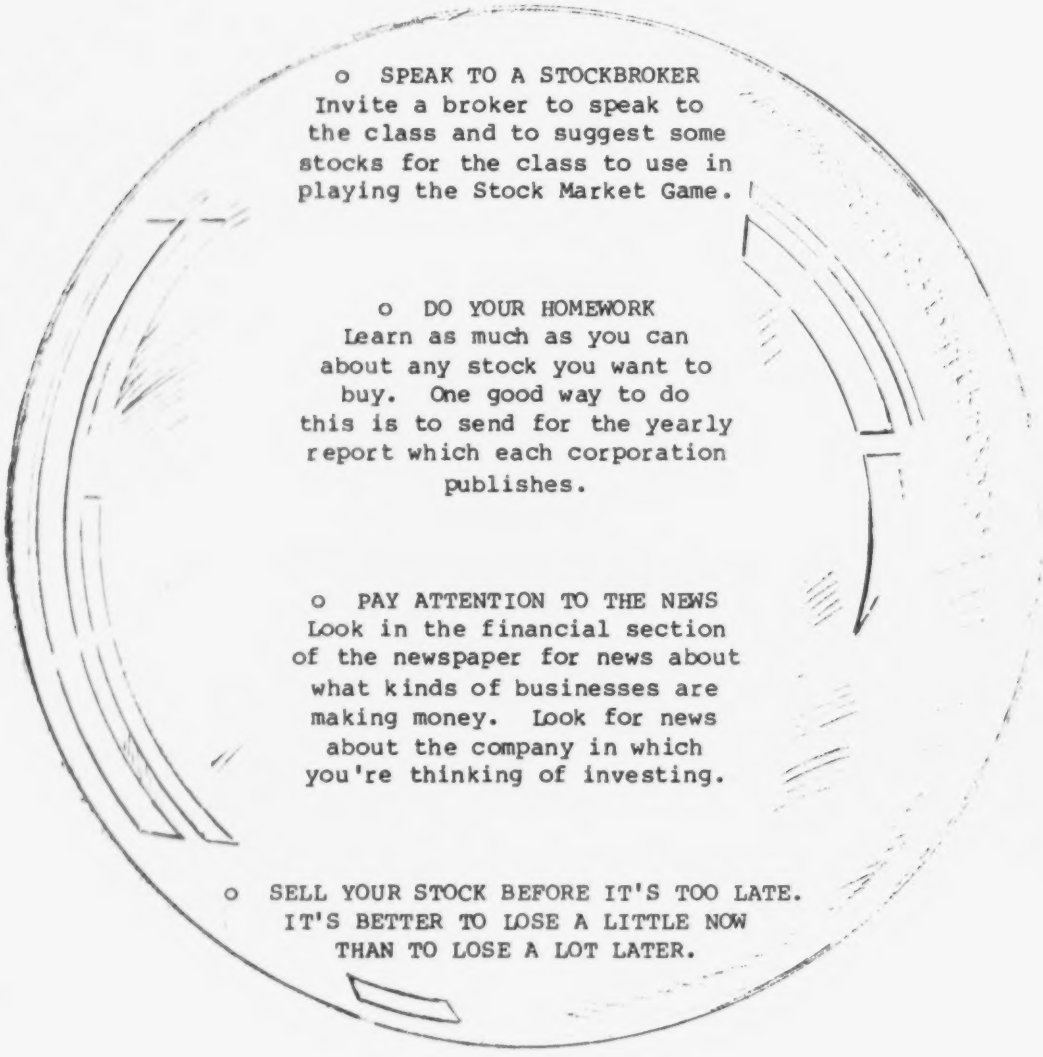
**AQUARIUS** (Jan. 20-Feb. 18): Do some traveling this summer. Seeing more of the world will give you a wider perspective. A unique business opportunity arises. Seize it! A phone call puts you on the right track.

**PISCES** (Feb. 19-March 20): You have great influence with a family member. Choose your words and actions carefully. A cautious financial approach puts you on the road to greater security. Reduce stress and romance will blossom anew.

New York Post. Permission pending.

# *Crystal Ball*

In some make-believe stories people can predict the future by looking into a crystal ball. To win the Stock Market Game you will have to do your best to look in the future. To help you do this, check the tips below in the Wall Street Crystal Ball.


o SPEAK TO A STOCKBROKER
Invite a broker to speak to the class and to suggest some stocks for the class to use in playing the Stock Market Game.
o DO YOUR HOMEWORK
Learn as much as you can about any stock you want to buy. One good way to do this is to send for the yearly report which each corporation publishes.
o PAY ATTENTION TO THE NEWS
Look in the financial section of the newspaper for news about what kinds of businesses are making money. Look for news about the company in which you're thinking of investing.
o SELL YOUR STOCK BEFORE IT'S TOO LATE.
IT'S BETTER TO LOSE A LITTLE NOW THAN TO LOSE A LOT LATER.

WALL STREET
CRYSTAL BALL

# *The Stock Market Game*

The Stock Market Game has been devised to give students a better understanding of an institution which plays a crucial role in the American economy and in the lives of so many Americans. In addition, participation in such a simulated activity (one that resembles the original) can play an important part in the earliest stages of career guidance.

PERFORMANCE OBJECTIVES Students will be able to:

- develop an understanding of the role simulation games play in the learning process
- learn the value of teamwork in playing a game
- learn the rules for playing the Stock Market Game
- record stock purchases and sales on transaction cards used in the Stock Market Game

MATERIALS

- Worksheet 12A, "Rules of the Stock Market Game"
- Worksheet 12B, "Sample Transaction"

MOTIVATION

- How many of you have ever thought about what it would be like to be an astronaut? Would you like to be one?
- Where did you get your ideas about being an astronaut?
- Do you think watching astronauts on televised missions is a good way to learn about the job of an astronaut?
- Why do you think astronauts train in simulated space conditions?
- Do you think this is a good way to train astronauts?
- What do you think a stock market simulation game is like?
- Why do you think we're going to play it?
- Before you play any new game, what do you want to know?

DEVELOPMENT

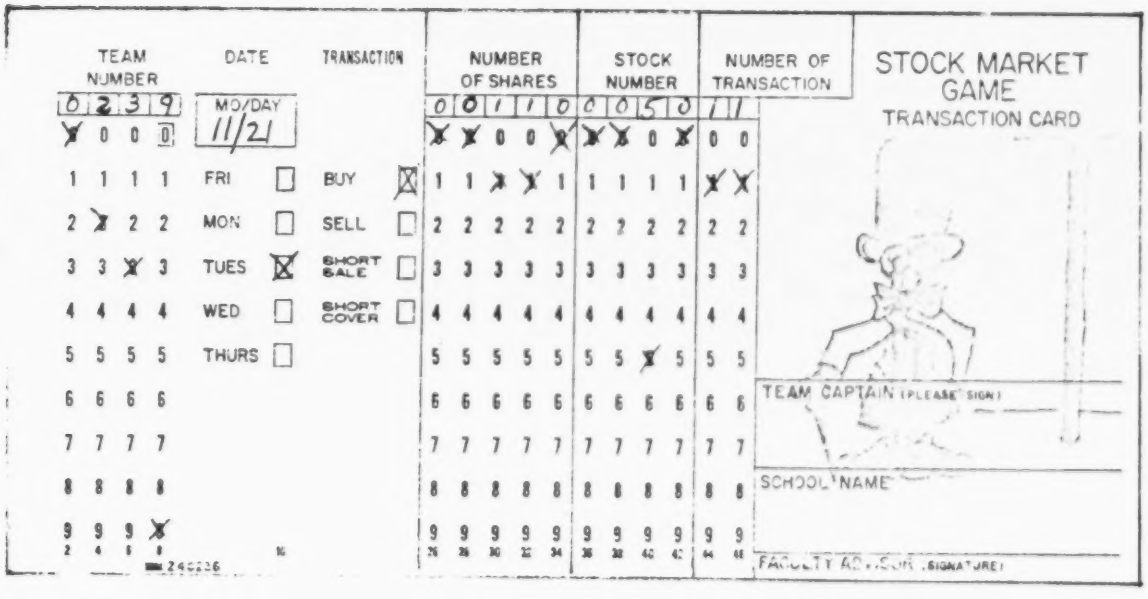
(The rules contained on the worksheet have been abbreviated. It is the responsibility of the teacher to read the rules in their entirety and review them with the class.)

Distribute Worksheet 12A, "Rules of The Stock Market Game" and 12B, "Sample Transaction." Have students explain their answers to the following questions:

1. How would you describe the Stock Market Game to someone who was absent today?
2. What do you think are the most important things to remember about playing the Stock Market Game?
3. Why do you think we are going to play this game? Why is filling out the transaction card properly so important?
4. Do you think this is a good way to learn about the stock market?
5. What are some things that we can do as a class to make sure we make good choices in buying stock?

Refer students to Worksheet 12B, "Sample Transaction." Have them attempt to complete the transaction card on the worksheet and review it with them. When completed, it should look like the one below.

- What are some mistakes to avoid in filling out this card?



STOCK MARKET GAME

Worksheet 12A

# *Rules of the Stock Market Game*

You probably have a number of questions about the Stock Market Game. The material below should help you answer them.

## HOW TO PLAY THE STOCK MARKET GAME

**WHAT MUST WE DO TO WIN?**

The goal is to start with $100,000, invest it in the stock market, and try to make as much money as possible during a 10-week period. To do this, you will need to:

1. Read newspaper listings of stock prices.
2. Predict which businesses will probably make money in the future and decide which stock to buy.
3. Decide how current events will affect stock prices.

**HOW DO WE PLAY?**

Rules

1. Each team begins the game with $100,000 cash.
2. Only those company stocks listed in the game list may be bought or sold.
3. Prices are determined by New York Stock Exchange daily closing prices found in most newspapers.
4. In order to buy or sell a stock, a team must complete a "transaction card."
5. Each transaction card must show the team number and school name, and be signed by the team captain and faculty advisor. Your team number is indicated in your kit folder.
6. Use one transaction card for each trade.
7. Punch all transaction numbers and codes carefully. The team will be held responsible for any errors made due to incorrect punching or damaged cards.
8. You must order at least 100 shares of a stock. After this you can order as much or as little of the stock as you like.

The Stock Market Game. Originally developed at Wilfred Laurier University in Waterloo, Ontario, Canada, and adapted for use in the United States by Dr. William Bennett, Director of the Buffalo State College for Economic Education (Buffalo: Buffalo State College, 1983). Permission Pending.

## *Rules of the Stock Market Game* (continued)

WHAT ARE THE MOST IMPORTANT THINGS TO KNOW?

Complete the transaction card:

This is the most important job in the game. The information you provide must be correct. Each card has enough room for only one purchase or sale.

1. Under the words "Team Number," write in and "X" out the appropriate boxes to identify your team. (Using the computer cards that come with the game, you must punch out the correct boxes rather than "X" them out.)

(NOTE: As you can see, for game purposes, each "week" begins on a Friday.)

2. Under the word "Date," write in the current date in the box provided. Now, punch out the box for the proper day for the transaction(s) that you wish to complete.

3. Under the word "Transaction," write in and punch out the box next to the word that indicates whether you wish to buy or sell a stock.

4. Under the words "Number of Shares," write in and punch out the boxes indicating the exact number of shares of the stock you wish to buy or sell.

   Remember you must buy or sell at least 100 shares. (If you are buying 100 shares, punch out 00100.)

5. Under the words "Stock Number," write in and punch out the stock code number for the stock you wish to trade.

6. Under the words "Number of Transaction," write in and punch out the number of the transaction for that day.

# *Sample Transaction*

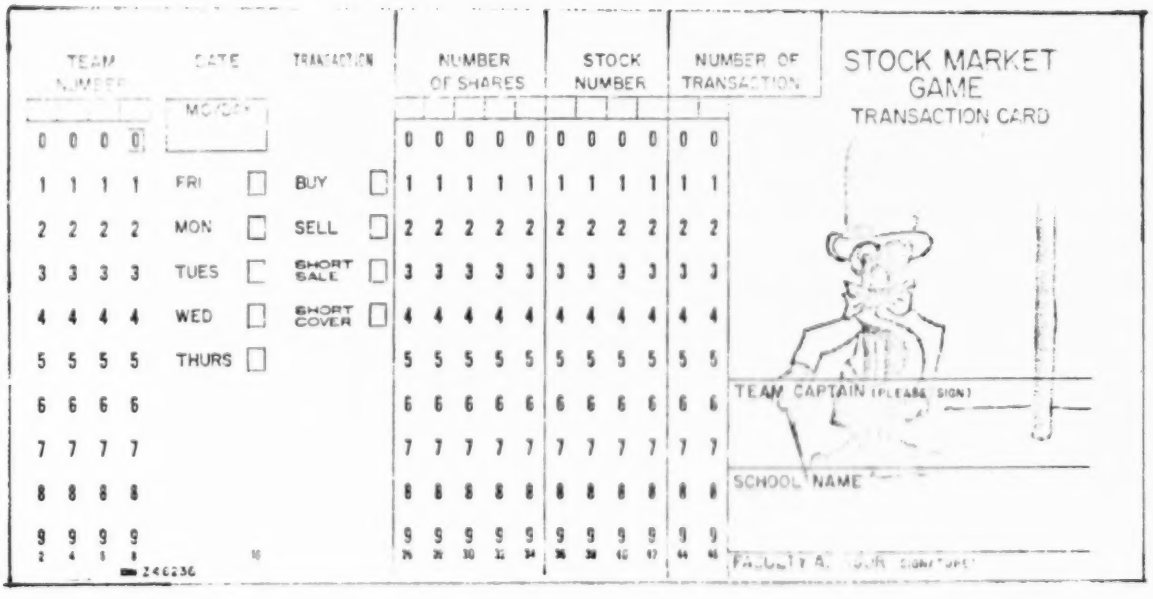
Let us say that your school has been assigned team number 0239. Your teacher asks you (the team captain) to complete the card below for the following transaction:

- The class has decided to buy 110 shares of American Broadcasting Company stock. This is the eleventh transaction for today, Tuesday, November 21.

(Below is a list of stock numbers which come with the Stock Market Game.)

| Stock Number | Stock Ticker | Newspaper Code | Company Name |
|---|---|---|---|
| 0037 | ALD | ALLD CP | ALLIED CORP |
| 0038 | ADP | ALLD PD | ALLIED PRODS CORP DE |
| 0039 | ALS | ALLD STR | ALLIED STORES CORP |
| 0040 | AT | ALLD TEL | ALLIED TEL CO |
| 0041 | AH | ALLIS CH | ALLIS CHALMERS CORP |
| 0042 | APC | ALPH PR | ALPHA PORTLAND INDS |
| 0043 | AA | ALCOA | ALUMINUM CO AMER |
| 0044 | AMX | AMAX | AMAX INC |
| 0045 | AAE | AMRCE | AMERACE CORP |
| 0046 | AHC | AM HES | AMERADA HESS CORP |
| 0047 | AGR | AM AGR | AMERICAN AGRONOMICS |
| 0048 | ABA | ABAKR | AMERICAN BAKERIES CO |
| 0049 | AMB | ABRAND | AMERICAN BRANDS INC |
| 0050 | ABC | ABDCST | AMERICAN BROADCASTIN |
| 0051 | ABM | ABLD M S | AMERICAN BLDG MAINTE |
| 0052 | ABP | ABUS PD | AMERICAN BUSINESS PR |
| 0053 | AC | AM CAN | AMERICAN CAN CO |
| 0054 | ACT | ACNT C N | AMERICAN CENTY CORP |

Using the information from the list and your instructions on filling out the transaction card, fill out the card below.



# *Keeping Score in the Stock Market Game*

Calculating purchases and sales in the Stock Market Game is a good way to combine the teaching of mathematics and social studies.

PERFORMANCE OBJECTIVES Students will be able to:

- keep records of the school's team position in the Stock Market Game
- calculate profit or loss in the purchase of stocks
- compute brokerage fees related to the purchase and sale of stocks

MATERIALS

- Worksheet 13, "Recordkeeping - Part I"
  "Recordkeeping - Part II"

MOTIVATION

Tell students that you recently went to your first baseball game and had a lot of trouble understanding the scoreboard. Write the following on the chalkboard:

| I | T | R | P | 1G |
|---|---|---|---|---|
| | PGH | 3 | 27 | |
| 6 | NY | 4 | 16 | |

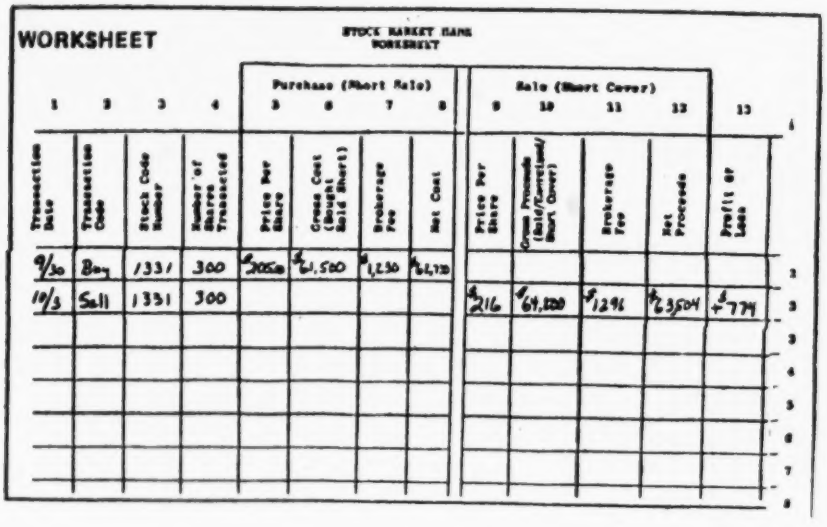
Key to Abbreviations:
I = Inning
T = Team
R = Runs
P = Pitcher
1G = First Game
PGH = Pittsburgh
NY = New York

Ask students the following questions:

- Why do we have a scoreboard?
- What information can you get from this scoreboard?
- Why is the scoreboard set up this way?
- How does understanding a scoreboard help us to enjoy baseball?
- Tell students that it's important for those who play the Stock Market Game to know how to keep records. How is this like scorekeeping?

DEVELOPMENT

Distribute Worksheet 13, "Recordkeeping - Part I." Review the instructions on the worksheet. Then have students complete the form using the information provided. The completed form should look like this:



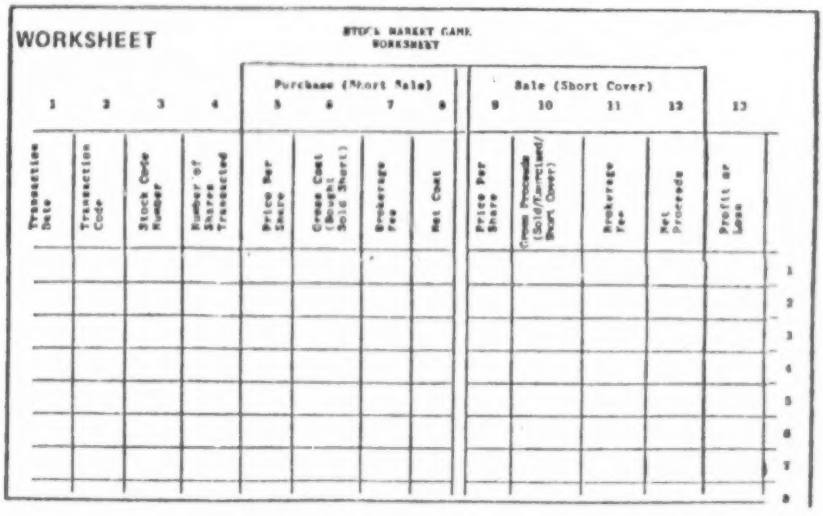
WORKSHEET

STOCK MARKET GAME WORKSHEET

| | 1 | 2 | 3 | 4 | Purchase (Short Sale) 5 | 6 | 7 | 8 | Sale (Short Cover) 9 | 10 | 11 | 12 | 13 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Transaction Date | Transaction Code | Stock Code Number | Number of Shares Transacted | Price Per Share | Gross Cost (Bought/Sold Short) | Brokerage Fee | Net Cost | Price Per Share | Gross Proceeds (Sold/Corrected/Short Cover) | Brokerage Fee | Net Proceeds | Profit or Loss | |
| 1 | 9/30 | Buy | 1331 | 300 | $205.00 | $61,500 | $1,230 | $62,730 | | | | | | 1 |
| 2 | 10/3 | Sell | 1331 | 300 | | | | | $216 | $64,800 | $1296 | $63504 | +774 | 2 |
| 3 | | | | | | | | | | | | | | 3 |
| 4 | | | | | | | | | | | | | | 4 |
| 5 | | | | | | | | | | | | | | 5 |
| 6 | | | | | | | | | | | | | | 6 |
| 7 | | | | | | | | | | | | | | 7 |
| 8 | | | | | | | | | | | | | | 8 |

# *Recordkeeping, Part I*

Pretend that you were the person selected by your teacher to keep a record of how well the class is doing in the Stock Market Game. Your teacher gives you the following form:


WORKSHEET

STOCK MARKET GAME WORKSHEET

| 1 | 2 | 3 | 4 | Purchase (Short Sale) 5 | 6 | 7 | 8 | Sale (Short Cover) 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Transaction Date | Transaction Code | Stock Code Number | Number of Shares Transacted | Price Per Share | Gross Cost (Bought/ Sold Short) | Brokerage Fee | Net Cost | Price Per Share | Gross Proceeds (Sold/Cancelled/ Short Cover) | Brokerage Fee | Net Proceeds | Profit or Loss |
| | | | | | | | | | | | | 1 |
| | | | | | | | | | | | | 2 |
| | | | | | | | | | | | | 3 |
| | | | | | | | | | | | | 4 |
| | | | | | | | | | | | | 5 |
| | | | | | | | | | | | | 6 |
| | | | | | | | | | | | | 7 |
| | | | | | | | | | | | | 8 |

You will notice that there are 13 columns across the top of the form. Their designations are listed below.

Column 1 — Transaction Date-the month and the day a stock was either bought or sold.

Column 2 — Transaction Code-either "buy" or "sell."

Column 3 — Stock Code Number-found in the booklet "Code Numbers for Common Stocks" (comes with game)

Column 4 — Number of Shares Transacted-a record of the number of stocks bought or sold.

***(Columns 5-8 are to be used only when you are buying a stock.)**

Column 5 — Price Per Share-check the daily newspaper for the N.Y. Stock Exchange Closing Prices, column marked "Last."

Column 6 — Gross Cost-the amount in Column 4 multiplied by the amount in Column 5.

Column 7 — Brokerage Fee-the amount in Column 6 multiplied by .02 (2% ).

Column 8 — Net Cost-the amount in Column 6 added to Column 7.

STOCK MARKET GAME

Worksheet 13, Part I (continued)

***(Columns 9-12 are to be used when the class decides to sell a stock that it owns.)**

Column 9 Price Per Share-the price at the end of the day the sale is made.

Column 10 Gross Proceeds-the amount in Column 9 multiplied by the number of shares the class sells.

Column 11 Brokerage Fee-(.02) 2% multiplied by the amount in Column 10.

Column 12 Net Proceeds-the amount in Column 11 subtracted from the amount in Column 10.

Column 13 Profit or Loss-tells whether or not you made money on the sale of the stock. Subtract the amount in Column 8 (when the stock was bought) from the amount in Column 13 (after the stock is sold).

# *Recordkeeping, Part II*

Using the form on the previous page, record the transaction listed below:

Buy 300 shares of Supermarkets Gen. Corp. Today is September 30th. (Check the "Code Numbers for Common Stocks.")

| STOCK CODE # | TICKER | NEWSPAPER ABBREVIATION | COMPANY NAME |
|---|---|---|---|
| 1296 | SNS | SUNDSTR | SUNDSTRAND CORP |
| 1297 | SSC | SUN MN | SUNSHINE MNG CO |
| 1298 | SST | SUNSTAT | SUNSTATES CORP |
| 1299 | SVU | SUPR VL | SUPER VALU STORES IN |
| 1300 | SOC | SUPR OIL | SUPERIOR OIL CO |
| 1301 | SGL | SUPMK G | SUPERMARKETS GEN COR |
| 1302 | SSP | SUPSCP | SUPERSCOPE INC |
| 1303 | SNK | SWANK | SWANK INC |
| 1304 | SYB | SYBRON | SYBRON CORP |
| 1305 | SYN | SYNTEX | SYNTEX CORP |
| 1306 | SYY | SYSCO | SYSCO CORP |

Pretend the newspaper listing for this stock looked like this on the day it was purchased:

52 weeks

| High | Low | Stock | Div. | Yield % | P.E. Ratio | Sales 100's | High | Low | Last | Chng. |
|---|---|---|---|---|---|---|---|---|---|---|
| 227 | 190-3/4 | Sup.Mk.G. | $.42 | 1.7 | 11 | 137 | 205-1/4 | 204-7/8 | 205 | +1/2 |

Now, using the form on the worksheet, record the transaction listed below:

Sell 300 shares of Supermarket Gen. Corp. Today is October 3rd. You look in the newspaper and this is what you find:

| High | Low | Stock | Div. | Yield % | P.E. Ratio | Sales 100's | High | Low | Last | Chng. |
|---|---|---|---|---|---|---|---|---|---|---|
| 221 | 186-1/8 | Sup.Mk.G. | $.42 | 1.7 | 11 | 214 | 216-1/4 | 215-1/2 | 216 | -1/4 |

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